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STADIS////////////////////////////////////
HONG KONG PASS TO ASSISTANT SECRETARY HOLBROOKE

E.O. 11652: GDS

TAGS: ENRG, EAID

SUBJECT: WEEKLY STATUS REPORT -- THAILAND, INDONESIA,
MALAYSIA, BURMA AND SINGAPORE AFFAIRS

INDONESIA

IRS DECISION ON TAX CONSOLIDATION

PRIVATE ATTORNEY HAS INFORMED US THAT HE IS OPTIMISTIC
ABOUT EARLY AND FAVORABLE IRS RULING ON TAX IMPACT OF THE
NEW DRAFT CONTRACT DRAWN IN JAKARTA IN EARLY DECEMBER.
SADLI AND PERTAMINA HARJONO APPROVED MINOR CHANGES DURING
CALIFORNIA TRANSIT LAST WEEK AND IRS OFFICIALS HAV- GIVEN
INFORMAL ENCOURAGEMENT. IF SO, A CONTENTIOUS ISSUE WILL
HAVE BEEN RESOLVED. HOWEVER, IT MAY COST THE INDONESIANS
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SEVERAL HUNDRED MILLIONS IN TAX REVENUE WHICH THEY CAN
BE EXPECTED TO SEEK TO RECOUP ELSEWHERE. CERTAINLY, IT
CAN BE RELATED TO THEIR PERCEIVED NEED FOR AN OPEC PRICE
INCREASE.

DOE DECIDES ON INDONESIA LNG IMPORTS TO CALIFORNIA (CONF)

ON DEC. 30, 1977, THE ECONOMIC REGULATORY ADMINISTRATION (ERA) OF THE DOE FINALLY ISSUED ITS OPINION ON THE PACIFIC INDONESIA LNG REQUEST TO IMPORT 539 MILLION CUBIC FEET PER DAY FOR 20 YEARS OF LIQUEFIED NATURAL GAS TO CALIFORNIA FROM THE ARUN (MOBIL/PERTAMINA) FIELD IN NORTHERN SUMATRA. WHILE APPROVING THE IMPORT IN PRINCIPLE, THE OPINION REJECTS THE PRICE ESCALATOR FORMULA CONTAINED IN THE CONTRACT NEGOTIATED BETWEEN PACIFIC INDONESIA AND PERTAMINA. THE QUESTION OF THE EVENTUAL SITE OF THE TERMINAL FACILITY IS OPEN TO LATER DETERMINATION BY CALIFORNIA AND DOE. WE BELIEVE DOE IS ANXIOUS TO WORK OUT A NEW PRICING FORMULA THAT WOULD ALLOW THE PROJECT TO GO FORWARD.

LOCAL PERTAMINA REP REPORTS ONGOING CONVERSATIONS WITH DOE AND EXPECTS TO RECEIVE INDICATIONS FROM THEM ON PRINCIPLES OF ESCALATION WHICH WOULD BE MORE ACCEPTABLE PRIOR HIS DEPARTURE FOR JAKARTA ON JANUARY 7. WE ALSO UNDERSTAND THROUGH OFFICE OF CONG. MURPHY, CHAIRMAN OF THE HOUSE MARITIME COMMITTEE AND A STRONG SUPPORTER OF THE PAC INDONESIA PROJECT, THAT ERA ADMINISTRATOR BARDIN OBJECTS TO THE EXISTING CONTRACT ESCALATOR BECAUSE IT "FEEDS ON ITSELF" BY BEING TIED TO THE U.S. ENERGY PRICE INDEX. HE INDICATED THAT ESCALATION BASED UPON A COST OF LIVING INDEX, U.S. GROSS NATIONAL PRODUCT GROWTH OR SOME COMBINATION OF THE TWO MIGHT BE MORE ACCEPTABLE.

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BARDIN IS QUOTED AS SAYING, "WE WANT THIS PROJECT TO GO". CONGRESSMAN MURPHY HAS FOLLOWED THIS CASE FOR 4-5 YEARS AND REPORTEDLY EXPRESSED THE VIEW THAT THIS IS BASICALLY A GOOD DOE DECISION.

SOUTHERN CALIFORNIA GAS (SCG) INFORMS US THAT THEY WILL SUBMIT A PETITION FOR REHEARING OF THE CASE WITHIN 30 DAYS, AS PERMITTED BY ERA. PERTAMINA MAY ALSO FILE A SIMILAR PETITION AND THE CALIFORNIA COMPANIES WILL SYNCHRONIZE THEIR PETITION WITH PERTAMINA. SCG PETITION MIGHT COVER THE ESCALATOR ISSUE, BUT ALSO IS APPARENTLY CONCERNED THAT THE TERMINAL SITE ISSUE IS VAGUE. ERA OPINION HEDGES ON APPROVAL OF PT CONCEPCION BECAUSE THERE IS INADEQUATE PUBLIC RECORD ON THAT SITE. THIS IMPLIES A FURTHER TIME-CONSUMING HEARING PROCESS ON PT CONCEPCION. CONCERNING THE ESCALATOR ISSUE, SCG APPARENTLY DOES NOT HAVE A POSITION YET BUT THEY ONCE CONSIDERED USING AN IMF EXPORT IMPORT PRICE INDEX. SCG

REPS PLAN BE IN JAKARTA FOR DISCUSSION WITH GOI/PERTAMINA FROM JANUARY 19, FOLLOWING CONCLUSION OF VISIT OF CALIFORNIA TRADE UNION GROUP (STATE 307239).

IN THE MEANTIME, DOE IS HOLDING PUBLIC HEARINGS JANUARY 4-5 ON U.S. LNG IMPORT POLICY WITH THE REPS OF CALIFORNIA COMPANIES APPEARING ON THE 5TH. IN ADDITION, SECRETARY SCHLESINGER HAS A PRESS CONFERENCE ON JANUARY 5 AND LNG IMPORTS ARE EXPECTED TO BE RAISED.

THAILAND

PRESIDENT'S LETTER DELIVERED TO KRIANGSAK (CONF)

AMBASSADOR WHITEHOUSE DELIVERED PRESIDENT CARTER'S LETTER TO PRIME MINISTER KRIANGSAK ON JANUARY 3. EMBASSY BANGKOK REPORTS THAT KRIANGSAK WAS OBVIOUSLY SURPRISED
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AND PLEASED WITH THE MESSAGE. AT KRIANGSAK'S REQUEST, WE HAVE AUTHORIZED HIM TO SUMMARIZE THE CONTENTS OF THE LETTER TO THE PRESS IN BANGKOK. OTHER REPORTING INDICATES A CONTINUING INTEREST BY THE PM IN VISITING THE U.S. -- EVEN AS EARLY AS MARCH-APRIL.

KRIANGSAK ON RTG RELATIONS WITH INDOCHINA (CONF)

DURING THE AMBASSADOR'S JAN 3 CALL, PRIME MINISTER KRIANGSAK COMMENTED THAT HE WAS PLEASED WITH THE WAY THAILAND'S RELATIONS WERE DEVELOPING WITH INDOCHINA. HE NOTED THAT HE HAD WRITTEN TO PHAM VAN DONG, POL POT AND KAYSONE PHOMVIHAN AND HAD RECEIVED SATISFACTORY REPLIES FROM PHAM VAN DONG AND KAYSONE. ALTHOUGH POL POT HAD NOT REPLIED, KRIANGSAK POINTED TO A CORDIAL NEW YEAR GREETING FROM CAMBODIA TO HIS MAJESTY THE KING.

KRIANGSAK' COMMENTS ON THE RECENT DEVELOPMENTS BETWEEN VIETNAM AND CAMBODIA WERE LOW KEY AND SEEMED TO REFLECT LITTLE CONCERN. (IN COMMENTS TO THE THAI PRESS, KRIANGSAK TOOK A SIMILAR, LOW KEY LINE, REMARKING THAT HE PERSONALLY DID NOT WANT TO SEE INCIDENTS DEVELOP BETWEEN CAMBODIA AND VIETNAM AND THAT FRIENDLY RELATIONS BETWEEN ALL NATIONS WERE IN THE INTEREST OF REGIONAL PEACE).

UNFDAC REPRESENTATIVE VISITS BANGKOK (LOU)

UNFDAC/GENEVA REGIONAL DIRECTOR A.H. MCKENZIE VISITED THAILAND DEC 17-23 TO INSPECT UNFDAC PROJECTS IN BANGKOK (DRUG REHABILITATION) AND CHIANG MAI (CROP SUBSTITUTION). MACKENZIE CAME AWAY FROM THE PROJECTS VISIBLY IMPRESSED. ALTHOUGH UNFDAC FUNDING FOR THE CROP SUBSTITUTION PROJECT IS SCHEDULED TO TERMINATE IN FEBRUARY, 1979, MACKENZIE
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VERBALLY ASSURED MEMBERS OF THE THAI OFFICER OFFICE OF NARCOTICS CONTROL BOARD (ONCB) THAT UNFDAC WOULD CONTINUE TO FUND THE PROJECT FOR AT LEAST ANOTHER FIVE YEARS AT A LEVEL OF ONE MILLION DOLLARS PER YEAR.

MACKENZIE POINTED TO THE NEED FOR THE THAI TO MOVE FROM EXPERIMENTATION WITH CROP SUBSTITUTION TO EXTENSION, ALTHOUGH IN A SLOW AND DELIBERATE MANNER. HE ALSO SAID THAT NORWAY, SWEDEN, AND DENMARK HAVE INDICATED THEY WILL EARMARK FUNDS FOR USE IN THAI HIGHLAND DEVELOPMENT ACTIVITIES ADMINISTERED THROUGH UNFDAC. UNFDAC'S PROGRAM DIRECTOR IN BANGKOK, IAN WILLIAMS, WILL SHOULDER PRINCIPAL RESPONSIBILITY FOR ASSISTING ONCP DEVELOP A MANAGEABLE FIVE YEAR PROGRAM INVOLVING BROADER RTG FUNCTIONAL AGENCY PARTICIPATION.

FRUITFUL RTG-SRV DISCUSSIONS IN HANOI (LOU)

EMBASSY BANGKOK REPORTS R;G DELEGATION TO HANOI DEC 27-31 INITIALED AD REFERENDUM A BILATERAL AIR SERVICES AGREEMENT WITH SRV WHICH PROVIDES OVERFLIGHT AND LANDING RIGHTS TO THAILAND AT HANOI AND SAIGON. SIMILAR RIGHTS WERE GRANTED TO SRV TO USE BANGKOK. THAIS ALSO SIGNED AGREEMENT TO EXCHANGE METEOROLOGICAL AND AIR FLIGHT DATA WITH SAIGON AIRPORT CONTROL VIA TELEX. TRADE DISCUSSIONS OF GENERAL NATURE WERE ALSO HELD AND DELGATION VISITED HAIPHONG.

SRV AGREED TO MEET FEB 9 IN VIENTIANE WITH REPS FROM THAILAND LAOS, HONG KONG, ICAO AND IATA TO DISCUSS FEES AND MODALITIES FOR RESUMING FOREIGN AIRLINE OVERFLIGHTS ON ROUTE NUMBER ONE BETWEEN BANGKOK AND HONG KONG VIA DANANG. IT APPEARS SRV NOW INTENDS TO ASK FOR LESS THAN 1,000 DOLS PER OVERFLIGHT, A CHARGE IT HAD EARLIER REQUES

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